

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 JUSE-00 IGA-02 RSR-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 2261

INFO AMEMBASSY LIMA

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E. O. 11652: N/ A

TAGS: ECON, EFIN, EGEN, AR

SUBJECT: NATIONALIZATION OF US BANKING INTERESTS IN ARGENTINA

LIMA FOR KUBISCH

REFS A) BA 4402; B) STATE 118843

1. ARGENTINE EXECUTIVE PRESENTED TO CONGRESS JUNE 21 TEN OUT OF 20 ECONOMIC MEASURES WHICH ECONOMIC CABINET HAS BEEN PREPARING OVER PAST TWO WEEKS. REMAINING MEASURES EXPECTED TO BE PRESENTED TO CONGRESS IN NEAR FUTURE.

2. AMONG DRAFT LAWS PRESENTED TO CONGRESS JUNE 21 IS PROJECT WHICH BOTH PROHIBITS ALL COMMERCIAL BANKS FROM HOLDING EQUITY IN OTHER TYPE OF FINANCIAL INSTITUTIONS AND DEALS WITH EXPROPRIATION FOREIGN BANKS. TEXT OF ARTICLES WHICH DEAL WITH LATTER AS FOLLOWS IN INFORMAL TRANSLATION.

ARTILE (4) THE PROPERTIES WHICH MAKE UP THE ASSETS OF THE BANKS
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LISTED BELOW ARE DECLARED TO BE OF PUBLIC INTEREST AND SUBJECT TO EXPROPRIATION (THERE FOLLOWS A LIST OF EIGHT BANKS OR BRANCHES INCLUDING THOSE ENTITIES WHICH CHASE MANHATTAN, MORGAN GUARANTY, FNCB OF NEW YORK, CENTRAL BANK OF MADRID AND BANK OF SANTANDER HAVE PURCHASED, WHOLLY OR PARTIALLY, SINCE 1966).

ARTICLE (5) THE EXECUTIVE POWER, THROUGH USE OF THE CENTRAL BANK OF THE ARGENTINE REPUBLIC WILL ADOPT THE MEASURES NECESSARY TO ASSURE THE CONTINUATION OF THE ACTIVITIES BEING CARRIED OUT ON THE DATE WHEN THE PRESENT LAW ENTERS INTO FORCE BY THE ENTITIES WHOSE PROPERTIES ARE EXPROPRIATED.

ARTICLE (6) FOR THE PURPOSES OF APPROPRIATE INDEMNIZATION THERE WILL BE TAKEN INTO ACCOUNT, SUBJECT TO INVENTORY SUPERVISED BY THE CENTRAL BANK, (1) REAL AND MOVABLE PROPERTY AT ITS ACTUAL RELIZABLE VALUE, WHICH MAY NOT EXCEED THAT WHICH WOULD RESULT FROM THE APPLICATION OF THE SO- CALLED LAW 19742 AND ITS REGULATIONS AND (2) THE NOMINAL VALUE OF CREDITS, WITH DEDUCTIONS WHICH MAY BE NECESSARY TO REFLECT THE DEGREE OF COLLECTIBILITY.

IN FIXING THE AMOUNT OF INDEMNIZATION, THE VALUE OF THE ENTITY AS A GOING CONCERN, NAMES, TRADEMARKS, INSIGNIA, EMBLEMS AND OTHER INTANGIBLE PROPERTY WILL NOT BE TAKEN INTO ACCOUNT. THE TOTAL OF ALL OBLIGATIONS OWED BY THE ENTITIES WHOSE ASSETS ARE EXPROPRIATED WILL BE DEDUCTED FROM THE RESPECTIVE INDEMNIZATION.

THE VALUE OF THE INDEMNIZATION WILL BE DEPOSITED UNDER LEGAL PROCEDURES.

ARTICLE (7) THE NATIONAL EXECUTIVE POWER IS AUTHORIZED TO ADOPT ADMINISTRATIVE, JUDICIAL, BUDGETARY AND OTHER MEASURES IN ORDER TO CARRY OUT THE PURPOSES OF THIS LAW AND THE CENTRAL BANK IS AUTHORIZED TO ADVANCE FUNDS NECESSARY FOR THIS OBJECTIVE.

3. COMMENT. ABOVE TEXT AT LEAST CLARIFIES THAT FOREIGN BANKING INTERESTS WILL DEAL WITH GOVERNMENT AND CENTRAL BANK AND THAT IT IS THE INTENTION OF GOA TO ACCOMPLISH EXPROPRIATION BY PURCHASE. TEXT OF LAW RAISES SUBSTANTIAL QUESTIONS OVER PROCEDURES TO BE INVOLVED IN EVALUATING ASSETS AND IN THE FORM AND PERIOD OF PAYMENT. THESE QUESTIONS TOGETHER WITH AN IDEA OF THE TIMETABLE ON WHICH THE CENTRAL BANK WILL ACT IN CARRYING OUT EXPROPRIATION LIMITED OFFICIAL USE

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REQUIRE FURTHER INVESTIGATION. WE HAVE TENTATIVE PROMISE OF POSSIBLE MEETING WITH GOMEZ MORALES OF CENTRAL BANK ON JUNE 25 AND WILL SEEK TO DEVELOP RESPONSES FOR SOME OF KEY QUESTIONS NOW PENDING.
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